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FM AMEMBASSY ASTANA  
TO RUEHC/SECSTATE WASHDC 8206  
INFO RUCPCIM/CIMS NTDB WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCNCIS/CIS COLLECTIVE 0002  
RUEHAK/AMEMBASSY ANKARA 2008  
RUEHBUL/AMEMBASSY KABUL 0289  
RUEHNE/AMEMBASSY NEW DELHI 0418  
RUEHAST/USOFFICE ALMATY

UNCLAS SECTION 01 OF 02 ASTANA 000161

SIPDIS

DEPT FOR SCA/CEN (O'MARA)  
DEPT PASS TO OPIC - BALLINGER  
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER  
DEPT PASS TO AID - EE-PHILLIPS/RUSHING  
TREASURY FOR OASIA/VELTRI  
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS  
USDOC FOR 6110/ITA/TD/BI/RHALPERN  
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, January 1 - 14, 2007

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

- Finance Minister Nominates Deputies
- National Holding Company "KazAgro" Created
- Kazakhstan Passes Amendments to the Law on Subsoil Use
- CITIC Buys Nations Energy's Kazakhstani Assets
- 2006 Oil & Gas Production

#### Finance Minister Nominates Deputies

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¶2. On January 15, Kazakhstani Minister of Finance Nataliya Korzhova announced names of her new deputies: Bakhyt Sultanov and Daulet Yergozhin. Mr. Sultanov, age 35, worked previously as Chairman of National Statistics Agency; Mr. Yergozhin, aged 27, was Head of the Special Tax Department, Ministry of Finance. (Interfax - Kazakhstan, January 15)

#### National Holding Company, KazAgro, Created

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¶3. In December 2006 Kazakhstani President Nursultan Nazarbayev signed a decree establishing the KazAgro national holding company to facilitate the development of the country's agro-industrial sector and make it more competitive in domestic and foreign markets. On January 15, Alikhan Smailov, a former Deputy Finance Minister, was named as Chairman of the KazAgro's Management Board.

¶4. On January 17, Smailov announced that the GOK would contribute its shares of seven state companies to build up KazAgro's authorized capital: "Food Contract Corporation," "Agrarian Credit Corporation," "Kazagrofinance," "Agriculture Support Fund," "Mal Onimderi Korporatsiyasy," "Grain Receipt Guarantee Fund" and

"Kazagromarketing." According to Smailov, "The Ministry of Agriculture will be fully responsible for 100% of KazAgro stock. KazAgro's initial authorized capital consists of KZT 300 million [about \$2.4 million.4 million] funded by the 2007 budget, but will reach KZT 80 billion [about \$640 million] after the contribution of the above-mentioned equity shares." (Interfax - Kazakhstan, January 17)

#### Kazakhstan Passes Amendments to the Law on Subsoil Use

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15. On January 15, President Nazarbayev signed into law amendments to the Kazakhstani "Law on Oil" and the "Law on Subsoil and Subsoil Use." The amendments introduce new standards aimed at ensuring transparency in the purchase of goods, work and services associated with subsoil use activities, as well as new norms which regulate the process of granting subsoil use rights and the awarding of contracts. The law defines the State's right to disallow a company from participating in a tender competition on the basis of "national security" interests. New norms will obligate contractors to provide non-discriminatory work conditions and provide equal pay to local and foreign personnel. These amendments further tighten the GOK's application of local content requirements, requiring companies to meet local content benchmarks annually, rather than on average over the lifetime of a project. (Interfax - Kazakhstan, January 15)

#### CITIC Buys Nations Energy's Kazakhstani Assets

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16. On October 25, Canadian-registered Nations Energy officially announced its intention to sell the company's Kazakhstani oil assets (Karazhanbasmunay) to the China International Trust and Investment Corp (CITIC) for \$1.91 billion. CITIC Group successfully closed the deal on December 30 after it signed an agreement granting the national oil and gas company KazMunayGaz (KMG) the option, valid for a year, to purchase 50% of Nations Energy's shares for \$955 million. (According to Kazakhstani legislation, the GOK has a priority right

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to purchase the assets of extractive industries in the Republic should such assets be offered for sale.) Nations Energy operates the "Karazhanbas" field in Kazakhstan. The company produces 50,000 barrels of oil per day and holds reserves of 340 million barrels. (Oil Review - Kazakhstan, January 9)

#### Oil & Gas Production in 2006

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17. According to the Kazakhstani Ministry of Energy and Natural Resources, Kazakhstan produced 64.9 million tons of oil and gas condensate in 2006, 5.5% higher than in 2005, including 59.2 million tons of oil (up 7.1%) and 5.7 million tons of gas condensate (down 8%). TengizChevrOil produced the largest share, 13.3 million tons of oil (down 1.8%). Other notable production figures include: Karachaganak Petroleum Operating - 10.5 million tons (up 1%), KazMunayGaz - 9.6 million tons (up 2%), PetroKazakhstan - 3.7 million tons (up 20.6%). In 2006 overall gas production reached 27.2 billion cubic meters, or 2.6% higher than in 2005. (Interfax - Kazakhstan, January 12)

MILAS